

World Financial Markets

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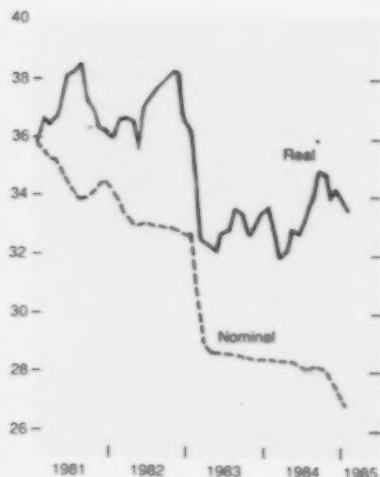
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Chart 1
Average world oil price
\$ per barrel



* Nominal price deflated by the wholesale price index of manufactures in major industrial countries, in dollar terms, January 1981 = 100

Lower oil prices

Despite OPEC's attempts to shore up eroding oil prices by regulating output, the world's oil price structure, centered on the OPEC benchmark of \$29 per barrel, became obsolete during 1984 (see Chart 1). Some official OPEC prices were lowered late this month, but the possibility still exists for further price declines this year and perhaps, beyond.

The downward pressure has three main sources. First, despite the economic recovery, world oil demand has been fundamentally weakened by substitution, conservation, and the sustained rise in European oil prices as a result of the strong dollar. Second, non-OPEC oil output has persistently risen, capturing most, if not all, of any increase in oil consumption. Third, the resulting squeeze on OPEC production has generated serious financial pressures not only on the large debtors in OPEC but also on such countries as Saudi Arabia.

While further falls in oil prices appear inevitable, their extent is hard to judge. Any new short-run equilibrium is particularly dependent on market perceptions of both the scope for demand substitution and the credibility of producer discipline, bearing in mind that oil market prices are far above those of

competing fuels and greatly in excess of production costs from existing facilities. In the short run oil consumption has proven highly inelastic to price changes. Only in the longer term do consumption and new supply development trends become determining.

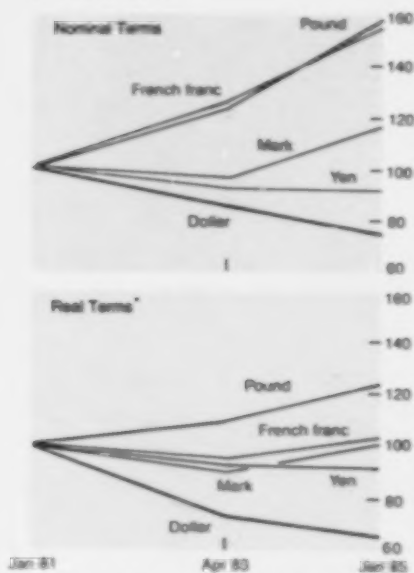
Orderly reductions in oil prices, in significant degree and lasting several years, could be very constructive for the world economy, provided OECD governments do not block benefits to consumers through increased oil import taxes. However, a very sharp drop in oil prices could be troublesome. For a time, oil consumers and some oil-exporting countries with diversified export sectors could be net beneficiaries from stepped-up OECD growth and lower interest rates. However, some oil producers would face intensified financial problems, possibly with political ramifications that could lead to new supply disruptions. If oil prices were then to explode again, the world economy would be at serious risk of renewed stagflation.

Oil price trends

Spot oil prices, especially for light crudes, began to fall sharply early last October, prompting cuts of up to \$2 per barrel in the official prices

Chart 2

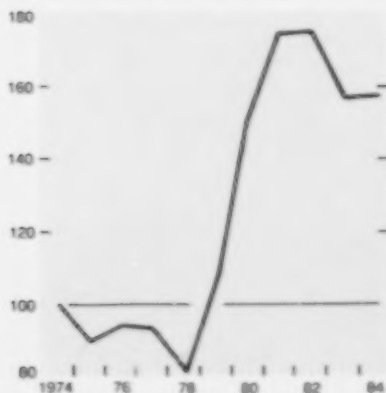
Oil prices in various currencies Jan 1981=100



* Oil price in local currency terms deflated by the corresponding country's wholesale price of manufactures.

Chart 3

OPEC terms of trade index 1974 = 100



of Norway, the United Kingdom, and Nigeria. Posted U.S. domestic crude prices also fell. The OPEC meetings at the end of 1984 did nothing to boost market confidence, mainly because the prices of the various grades of crude remained misaligned. Despite a small reduction, the differential between official prices for heavy and extra-light grades still was double the spread in spot markets. Adjustment pressure focused on lighter crudes. By contrast, spot prices for the cheaper, heavier grades remained at or above official levels. Refinery upgrading in recent years has promoted the production of gasoline and other light derivatives from heavy crude. Moreover, the U.K. coal strike has added 500,000-700,000 bpd to the demand for heavier oil.

Light crude spot prices continued to drift downward in early 1985, with North Sea grades the weakest. Norway abandoned official prices in favor of spot-related pricing and the United Kingdom came under pressure to follow. Posted U.S. domestic crude prices fell further. Those light oil exporters that had not cut official prices openly resorted to hidden discounts or extended credit in order to sustain export volume. These pressures led most, but not all, OPEC members to cut official prices for lighter crudes in late January. Attention now focuses on the United Kingdom, whose official price remains well above spot levels.

The OPEC adjustments cut the weighted average of official OPEC prices by less than 30¢ to just under \$26 per barrel. In practice, these cuts no more than legitimized most hidden price discounts. Indeed, with spot-related transactions rising to an estimated 50% of total oil sales, the effective average price of internationally traded oil now is probably below \$27 per barrel. This is a 25% decline from the all-time peak of almost \$36 per barrel.

The reduction in average world oil prices, however, has been much less in real terms — the nominal oil price deflated by a dollar index of wholesale prices of manufactures in the major industrial countries. Because of the strong dollar and low OECD inflation, real oil prices still are only 7% below their January 1981 peak. That has been the average decline for the major oil-consuming countries. Only in the United States have nominal and real crude oil prices fallen steadily (see Chart 2). For Japan, nominal and real oil prices declined much less between 1981 and early 1983, and have since remained unchanged. Most striking, all three major oil-consuming countries of Europe have experienced increases in crude oil prices in nominal domestic-currency terms during the past two years, with prices flat to rising in real terms. Substantial real oil price rises also have occurred in some of the larger LDC debtors, especially in Latin America.

By contrast, for the oil-exporting LDCs — OPEC and non-OPEC — the strength of the dollar has reduced the dollar cost of imports from Japan and Europe, mitigating their terms-of-trade losses. For example, OPEC countries' import prices have remained stable or have fallen over the past four years in dollar terms, keeping the decline in their aggregate terms of trade under 10% in 1984 relative to the 1981-82 peak (see Chart 3). That is less than half the decline that occurred in 1977-78 when U.S. currency weakness and high OECD inflation drove down the OPEC terms of trade by 20% relative to 1974.

Oil demand

The 1984 recovery in free-world oil consumption was small. In volume terms, it amounted to just over 1 million bpd, or 2.5%, reversing little of

Chart 4

The declining share of OPEC free world oil supply in millions of bpd

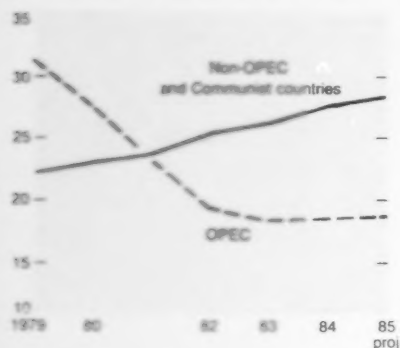


Table 1

Oil demand and supply millions of bpd

	1984 est.	Changes		
		1979- 1983*	1983- 1984	1984- 1985
Consumption**	46.3	-7.3	1.1	0.4
Industrial countries	34.8	-7.8	1.0	0.2
United States	15.7	-3.3	0.5	0.1
Europe	12.0	-2.9	0.1	0.0
Japan	4.6	-1.1	0.2	0.1
Developing countries	11.5	0.5	0.2	0.1
Stock change	-7.1	-1.2***	0.4***	—
Non-OPEC production	25.6	3.5	1.1	0.4
United States	11.2	0.5	0.3	0.0
North Sea	3.4	1.4	0.4	0.1
Mexico	3.0	1.4	0.0	0.0
Other developing	5.0	0.9	0.5	0.2
Communist net exports	1.9	0.6	0.2	0.2
OPEC production	18.6	-13.2	0.1	0.0
of which: crude oil	17.6	-13.4	0.1	0.0

*Cumulative, not at annual rates.

**Excluding Communist countries.

***Change in the rate of stock accumulation.

the more than 7 million bpd drop of 1980-83. Consumption in the industrial countries was up by 2.7% last year, almost two-thirds of the increase occurring in the United States and Japan (see Table 1). Vigorous economic growth and a cold winter boosted their oil consumption by about 3½% and 4%, respectively. By contrast, sluggish economic activity and rising domestic-currency oil prices held Europe's oil consumption virtually flat. In the developing countries oil consumption recovered by 1% or more in 1984, especially in fast-growing Asia. Price increases and slow economic growth continued to hold back oil consumption in Latin America.

The 1984 increase in world oil consumption fell far short of the increase in economic activity. Industrial countries' real GNP was up 4½%, while U.S. growth was close to 7% — growth rates almost double those of oil consumption. The shortfall stemmed partly from gains in energy efficiency. Energy use in the industrial countries declined by more than 20% per unit of real GNP between 1973 and 1983 (see Table 2). Most of this decline occurred in the second half of the period, especially with the decontrol of oil prices in the United States.

More important for oil usage in recent years has been fuel substitution. Other fuels have price and perceived security advantages. The share of oil in free-world energy consumption fell from 54% in 1973 to 47% in 1983, with coal and nuclear energy accounting for almost all the displacement (see Table 3). As with conservation, substitution accelerated after the second oil shock. Natural gas also has become an important force in oil displacement, especially in Japan and Europe, which have achieved the largest and most consistent shifts away from oil since 1973. Even in the United States, where the share of oil in

total energy use rose until 1978, by 1983 it had fallen from 47% to 41%. Substitution also has been significant in the developing countries, where oil's share declined from 61% in 1973 to 55% in 1983. Substitution probably accelerated in 1984. In the OECD countries total energy use rose nearly twice as fast as oil use in the first half (see Table 4). Indeed, in Europe non-oil fuels absorbed almost all of the growth in energy use.

Besides the weakness in oil consumption, oil demand has been undermined by inventory reduction on the part of oil companies, wholesalers, and consumers. Perceptions of supply surplus, weak price expectations, and the high cost of financing have been the main motivations, buttressed by the steady growth of government-owned stocks in the United States and elsewhere. Company-owned stocks in the OECD countries fell during 1981-84 at an average rate of 600,000 bpd, enough to yield a decline in overall stocks (see Table 5). Nevertheless, the combined company-government inventory level appears adequate in relation to future needs.

Whatever happens to prices, there is scant likelihood of rapid near-term growth in oil consumption. In the industrial countries, oil usage is likely to rise less than 1% during 1985, given the moderation of economic growth in the United States. Indeed, overall OECD consumption could actually decline in 1985, if this winter season proves of normal severity and the U.K. miners' strike ends soon. Thus, although developing countries' oil consumption could be up again by 1% or so, total free-world consumption seems destined to rise by 1% at best this year.

At anything close to current prices, the longer-term outlook for oil consumption is scarcely better than in the short run, even assuming OECD economic growth on the order of

Table 2

Energy conservation:
consumption per unit of real GDP
industrial countries, 1973=100

	1973	1978	1983
Industrial countries	100	92	79
United States	128	116	100
Europe	79	72	65
Japan	77	67	53

Table 3

Energy substitution:
consumption by type of fuel
percent shares

	1973	1978	1983
Total*			
Oil	54	53	47
Gas	19	18	18
Coal	19	18	22
Nuclear	1	3	5
Hydro	7	7	8
United States			
Oil	45	47	41
Gas	31	26	25
Coal	18	18	23
Nuclear	1	4	5
Hydro	4	4	6
Europe			
Oil	60	56	48
Gas	11	14	15
Coal	20	19	21
Nuclear	1	3	7
Hydro	8	8	9
Japan			
Oil	77	74	60
Gas	2	4	8
Coal	15	13	19
Nuclear	1	4	8
Hydro	5	5	6
LDCs			
Oil	61	59	55
Gas	12	12	14
Coal	19	19	21
Nuclear	**	**	1
Hydro	8	9	9

*Excluding Communist countries.

**Less than 1%.

3% per annum. If oil prices decline only modestly during the remainder of the 1980s they would remain high by historical standards in real terms, and also high relative to the prices of other fuels. Conservation and substitution would still go forward. New investment in industry and housing would continue to be more energy efficient than the stock it replaces. And in the key U.S. transportation sector, government-mandated efficiency standards for automobiles and intense competition in airlines and trucking compel cost reductions that will contain oil use.

As for substitution, natural gas is likely to play an increasingly important role, because its price is currently only 65%-85% that of oil on a thermal-equivalent basis. The price of most gas traded internationally is contractually tied to oil prices. Moreover, readily available gas supplies exceed current consumption in North America, Europe, and the Pacific basin — an excess that should reinforce the price advantage of gas for some years to come. Coal also should continue to displace oil, if less rapidly than in the past, given its limited flexibility and ease of use. Nevertheless, based on current production, transport, and operation costs, coal still has a price advantage over oil of more than 40%.

Incorporating these conservation and substitution forces into energy demand, most long-term forecasts conclude that oil consumption will be sluggish during the rest of the 1980s. Growth projections cluster around 1% or maximum increases of 500,000 bpd per annum. Consumption growth could be distinctly less or even negative if, against expectations, OECD economies slide back into stagnation. However, the long-term outlook for oil consumption may be brighter in the event dollar oil prices fall materially. Such price declines during this mid-

dle part of the 1980s could well raise oil consumption significantly by the end of the decade, especially if they help bring about higher rates of OECD economic growth.

Non-OPEC oil supply

All the growth in 1984 oil consumption was supplied by non-OPEC oil production plus net oil exports from the Communist countries. Together, they rose 1.3 million bpd last year, having grown by over four million bpd in the previous four years (see Table 1).

Non-OPEC production outside the Communist countries was up by over 1 million bpd last year, to 25½ million bpd. Excluding Mexico, non-OPEC LDCs provided 40% of the 1984 increase, their output reaching 5 million bpd. North Sea production of 3.4 million bpd contributed more than 35% to the overall increase. Defying earlier predictions U.S. oil production continued to grow, by about 300,000 bpd, to almost 11.2 million bpd in 1984 — the highest level since 1973.

Again excepting Mexico, non-OPEC countries generally kept output at or close to capacity. The bulk of their oil production is for domestic consumption, rather than export, and most provide international oil companies attractive financial incentives to produce at capacity. Security considerations, aggressive pricing, and geographic advantages also play a role.

Until early 1983, Mexico's oil production also ran at capacity, contributing significantly to the growth in total non-OPEC output. Mexico has since imposed an export ceiling of 1.5 million bpd, which was recently reduced by 100,000 bpd in support of OPEC prices. The export ceiling and weak domestic oil consumption have kept Mexican oil production flat since 1982, at about 3

Table 4

Total energy and oil consumption percent changes

	1st half 1984 from year ago
Industrial countries	
Energy	7.1
Oil	3.8
North America*	
Energy	8.6
Oil	5.2
Europe	
Energy	4.2
Oil	0.6
Pacific**	
Energy	8.9
Oil	6.8

*Canada and United States.

**Japan, Australia, and New Zealand.

Source: International Energy Agency.

million bpd, which is some 300,000 bpd below available capacity.

Communist countries' net exports to the West have kept on rising. Despite projections in the 1970s of a steady decline and shift to net importer status by 1985, net Communist exports approached 2 million bpd last year, twice the 1979-81 volume. Communist production has risen and domestic consumption has fallen, as a result of lower economic growth, conservation, and increased substitution, mainly of natural gas.

Looking ahead, the growth rates of both non-OPEC production and Communist net exports are expected to slow. However, non-OPEC supplies will be affected in the late 1980s by oil price developments and fiscal incentives in the next few years. Forecasts put the 1990 level of non-OPEC production plus Communist net exports within 1.5 million bpd either way of current volume. Nevertheless, during 1985-87, the increase in non-OPEC production, although slowing, could supply almost all the rise in free-world consumption. For example, in 1985, the rate of growth in non-OPEC production and Communist net exports is expected to be half that of 1984, just over 500,000 bpd. Yet this increase should cover all additional oil consumption. The same is likely for 1986, if not for 1987.

The growth of non-OPEC production will eventually slow because the three major oil-producing regions, which together account for two-thirds of the total, will either peak or continue to restrain output. U.S. and U.K. production are expected to flatten out before long and then decline. Mexico, which has the largest proven oil reserves outside OPEC in the free world, is likely to raise production only slowly, because of either continued limits on its exports or financial constraints on capacity development. The long-term geological prospects of the other non-

OPEC producers are not fully known. Only Norway has a clear chance for significant increases in oil production during the rest of the 1980s.

OPEC oil supply and finances

If prices settle within a few dollars of present levels, OPEC can look forward to an increase in demand for its oil of up to 4 million bpd by the end of this decade, assuming non-OPEC production falls off as some expect. However, OPEC's more immediate concern is that non-OPEC suppliers will capture all, or nearly all, of the modest growth in world oil demand projected for this year and next. Although OPEC would welcome holding onto its 1984 crude oil output of 17.5 million bpd, rather than suffer further deep cuts as in previous years (see Table 1), those cuts leave OPEC's share of the world oil market drastically diminished (see Chart 4).

OPEC faces three urgent problems in managing output and prices: excess capacity; financial pressures; and political division.

OPEC now has some 10 million bpd in readily available excess crude oil production capacity, 36% of its own capacity and equal to 20% of 1984 free-world oil consumption. Nigeria and Venezuela hold a small proportion of that excess capacity, but the great bulk, over 80%, lies in the Middle East, with Saudi Arabia alone accounting for about 50% of the total (see Chart 5). Excess capacity would be still greater with the return of over 3.5 million bpd Iranian and Iraqi capacity that is currently unavailable due to the war. If Iraq completes the construction of export pipelines through Turkey and Saudi Arabia, available capacity could jump by more than 1 million bpd as early as 1986.

Table 5

Industrial countries' oil inventories

	Annual change millions of bpd			Year-end level*
	Companies	Govern- ments	Total	
1979	0.6	0.1	0.7	84
1980	0.4	0.1	0.5	95
1981	-0.6	0.4	-0.2	98
1982	-0.7	0.2	-0.5	101
1983	-0.7	0.2	-0.5	92
1984	-0.3	0.3	-0.1	90

*In days of next year's consumption.

Source: International Energy Agency.

Chart 5

OPEC production and excess capacity
millions of bpd, crude oil only

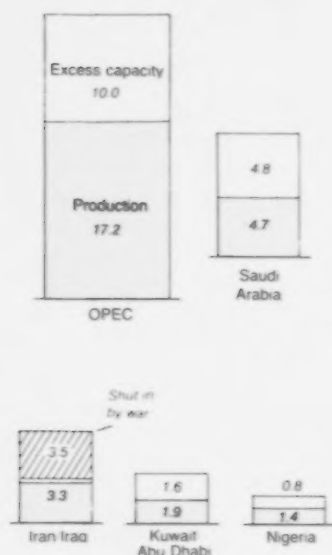


Table 5

OPEC current account balance
billions of dollars

	1980	1983	1984 est.
Total exports	308	188	183
Oil revenues	281	158	153
Other exports*	27	30	30
Total imports*	-212	-228	-203
Investment income	16	18	13
Official transfers	-9	-5	-4
Current account	103	-27	-10
of which:			
Saudi Arabia	41	-19	-13
Kuwait, Qatar, UAE	28	10	11
Remaining nine**	33	-19	-9

*Includes services and private transfers but excludes investment income.

**Algeria, Ecuador, Gabon, Indonesia, Iran, Iraq, Libya, Nigeria, and Venezuela.

Financial pressures on OPEC members have gone unrelieved, even though the OPEC current account deficit seems to have shrunk to about \$10 billion in 1984 (see Table 6). With revenue still falling, the current account improvement was secured only by a further deep cut in OPEC imports of goods and services, which were down 17% from their 1981 peak in real terms.

The most acute financial pressures on OPEC are felt by the nine heavily populated and debt-burdened members, especially by Nigeria, Venezuela, Ecuador, Algeria, and Indonesia. Since 1981 they have faced high interest payments and, in some cases, debt-servicing difficulties and reduced access to external financing. In addition, the war between Iran and Iraq has involved huge financial costs. Stringent cutbacks in imports have enabled these nine countries to narrow their combined 1984 current account deficit to \$9 billion. But by end-1984 these countries' aggregate official reserves were down by two-thirds from 1980, to \$30 billion, while their debt had grown by over 35%, to \$125 billion. With domestic growth rates depressed or negative for the past four years and further large import cuts difficult to implement, most of these countries, particularly Nigeria, are under heavy pressure to discount oil prices or breach oil production quotas in order to maintain export earnings.

Moreover, even the OPEC countries with ample foreign exchange reserves and minimal external debt burdens face financial pressures. Over 60% of the 1980-84 deterioration in the OPEC current account was incurred through large oil production cutbacks by Saudi Arabia, Kuwait, and, to a lesser extent, the UAE and Qatar. Saudi Arabia, as the swing OPEC oil producer, experienced a record current account deficit of nearly \$19 billion in 1983. This narrowed to \$10-\$15 billion last year

through a fall in imports. Even at this lower level, the deficit ran over 20% of the country's total export earnings and 12% of its GDP.

While Saudi Arabia and the other three producers of the Arabian peninsula have the financial resources to withstand renewed current account deterioration, their willingness to cut production further may be tempered by the lack of support for their actions by almost all other oil producers — OPEC, non-OPEC, and Communist. At some point overproduction by others may become so large as to make sufficient compensating cutbacks by Saudi Arabia and the other peninsula countries impractical: their production cannot turn negative. Looking ahead, the likelihood of higher Iraqi oil exports, continuing sluggish oil demand growth, and the prospect that more than half of oil consumption is likely to be supplied by non-OPEC producers will further strain Arabian ability to cut production.

Notwithstanding OPEC's ongoing attempts to maintain discipline, the pressures of excess capacity, overproduction, and financial problems make a decline in nominal oil prices inevitable. However, no one knows how large the decline will be or how stable the markets then will prove. Given the wide gulf between present oil prices and production costs, the main forces preventing a sharp price adjustment are the fear of income loss by oil producers, the apprehensions of some for financial stability, and the longer-term interest of many in keeping prices high enough to ensure development of new oil supplies. Nevertheless, despite the best efforts of the interested parties, the risk of a sharp drop in oil prices cannot be dismissed.

Oil prices and industrial countries

The many uncertainties about how

Table 7

Oil prices and the industrial countries

	1984 est.	Scenario I: stable prices				Scenario II: erosion and recovery				Scenario III: sharp drop with rebound			
		1985	1986	1987	Annual average 1988-90	1985	1986	1987	Annual average 1988-90	1985	1986	1987	Annual average 1988-90
Oil prices (average, \$/barrel)	28.5	28.5	28.5	28.5	28.5**	25.0	23.0	23.0	26.0**	18.5	18.5	22.0	37.0**
OECD real GNP growth (%)	4.5	3.0	2.0	2.0	2.5	3.5	3.0	2.8	3.0	4.0	2.0	3.0	2.0
United States	6.8	3.2	1.8	1.8	2.1	3.6	3.0	2.5	3.0	4.0	1.5	3.0	1.6
Europe	2.5	2.5	2.0	2.0	2.3	2.8	2.8	2.5	2.8	3.0	2.0	2.5	2.0
Japan	5.5	4.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	3.5	4.5	3.8
OECD manufactures prices													
Local currency (% change)	3.5	4.5	5.0	4.0	5.5	3.0	4.0	4.5	5.0	2.5	2.5	4.0	7.0
Dollar terms (% change)	-3.4	3.5	8.0	4.0	5.5	1.5	7.0	6.0	5.0	4.0	7.0	7.0	7.0
Dollar (% change)*	7.1	2.0	-5.0	0.0	0.0	2.0	-5.0	-5.0	0.0	-3.0	-7.0	-5.0	0.0
6-month Eurodollar LIBOR (% p.a.)	11.2	10.5	10.0	10.0	10.0	9.5	9.0	9.0	9.0	8.0	7.0	7.0	11.0

*Nominal effective dollar exchange rate; minus indicates depreciation.

**1990 price.

oil prices will evolve suggest three scenarios that can be analyzed to illuminate the impact of lower oil prices on the world economy. The first is a reference scenario in which the average effective oil price returns forthwith to the 1984 level of just over \$28 per barrel and remains there in nominal terms throughout 1985-90 (see Table 7). The second envisages a gradual erosion in prices to an effective average of \$23 per barrel in 1986-87. The third is one of an abrupt \$10 price drop to \$18.50 per barrel in 1985 and 1986. In the second and third scenarios prices recover in the late 1980s: in the second, the rise is gradual, to \$28 by 1990 in nominal terms; in the third, by contrast, the increase comes through a new oil shock, which pushes nominal prices up to \$37 in 1990, 20% higher in real terms than in the other cases.

The three scenarios have differing consequences for world economic activity, inflation, and interest rates, which also depend on the policy responses of OECD governments to oil price trends. Under the first scenario of stable nominal oil prices, the current economic recovery would

moderate. Because of its strength to date, the U.S. recovery would be increasingly vulnerable to inflation triggered by the gradual onset of capacity constraints and higher wage demands. That would provoke monetary restraint and compound expected fiscal tightening. The upshot would be a distinct slowing of U.S. economic expansion that would not be fully offset by any speedup in growth elsewhere.

There would be little progress in bringing down OECD unemployment — over 30 million as 1985 begins. OECD inflation would edge higher in local currency terms and interest rates would remain high by historical standards in both nominal and real terms. Non-oil commodity prices would rise in line with the prices of OECD manufactured goods. High dollar oil prices, in conjunction with a relatively strong U.S. currency and economic growth below potential, would prevent gains in the terms of trade of non-oil commodity exporters.

A gradual erosion of dollar oil prices, as in the second scenario, would make possible higher eco-

Table 8

Non-oil export earnings

percent changes, dollar terms

	1984 est.	1985-90 annual average by scenario		
		I	II	III
Brazil	21.5	9.2	10.0	10.2
Chile	-3.1	10.9	13.5	13.2
Korea	19.5	12.7	13.4	13.0
Turkey	24.2	11.2	12.0	11.1
Mexico	18.6	10.6	11.3	12.3
Venezuela	20.0	12.2	12.8	12.3
Indonesia	19.8	10.8	12.4	10.5
Nigeria	-46.3	5.1	6.2	3.3
Memo:				
OECD manufactures price inflation	-3.2	5.3	4.9	6.6

conomic growth and lower inflation for the world economy. However, it assumes policymakers are not so ill-advised as, say, to raise energy taxes without rebates to consumers, thereby blocking the increase in real disposable incomes that a fall in oil prices should imply. Monetary policy, if unchanged, could accommodate stronger growth, since lower energy prices would more fully compensate for domestically generated inflationary pressures and deter any escalation in nominal wage increases through a price-wage spiral. More robust economic growth would raise non-oil commodity prices relative to those of manufactures. Lower general price inflation would induce a more pronounced fall in interest rates. Somewhat more dollar depreciation could ensue, say, by an additional 5% in 1987 following the 5% in 1986 already envisaged in the stable price scenario. That extra depreciation would reflect some loss in the dollar's petrocurrency appeal and the significant boost to Europe's real income and growth.

After 1987, under this scenario, oil prices would begin to rise again in current dollars, though by little in real terms. OECD inflation would edge higher too, but monetary policy could accommodate the increase. Thanks to the initial drop in energy prices, economic growth and investment in the industrial countries would be greater, enough to support long-term GNP growth at the higher pace of 3% per annum without generating significant capacity shortages or excessive wage demands.

The third scenario, in which oil prices drop and then rebound sharply, implies severe deterioration in the economic performance of the industrial countries. The initial drop in oil prices would bring inflation sharply down and boost economic growth. After a short lag, however, the financial dislocations associated with the major oil price decline

could worsen political tensions among the producing countries and stir internal turmoil in some. Business and investor confidence could erode, undercutting domestic demand. To counter that weakness and to ease financial distress, the monetary authorities would pump up liquidity. For a time, interest rates could fall substantially, and the dollar move sharply lower.

This, plus the temporarily higher economic growth spurred by lower interest rates, would initiate a new inflationary cycle. Expanding demand and an inflationary environment are exactly the circumstances in which an oil supply disruption could lead to a rapid explosion in oil prices. OECD policies would turn restrictive, leading to low growth and high inflation in the latter part of the decade, but with non-oil commodity prices depressed.

Implications for LDC borrowers

The three scenarios for oil prices, in conjunction with the associated prospects for industrial-country economic growth, inflation, and interest rates, yield significantly different implications for the financial and economic outlook for developing countries.

The key to the financial future of the principal borrowers lies in their export outlook, both for oil and non-oil products. The 1984 resurgence of LDC export markets in the industrial countries, together with austere demand policies at home, enabled many to achieve spectacular gains in nonpetroleum exports, especially Turkey, Brazil, Indonesia, and Korea (see Table 8). They are unlikely to repeat such performance in 1985. Indeed, the projected 1985-90 export growth rates shown in the table attempt to allow both for less austere domestic demand — for example, in the case of Brazil — and

Table 9

Current account balances in 1984

billions of dollars, estimated

	Net oil exports	Gross interest payments	Current account
Brazil	-4.7	-11.7	-0.5
Chile	-0.5	-2.0	-2.1
Korea	-5.4	-4.2	-1.4
Turkey	-3.5	-1.7	-1.8
Mexico	15.6	-11.3	4.1
Venezuela	14.5	-4.2	4.1
Indonesia	9.3	-2.3	-2.5
Nigeria	11.4	-1.9	-0.2

Table 10

Current account prospects
percent of exports of goods and services

	1984 est.	Scenario I			Scenario II			Scenario III		
		1985	1987	1990	1985	1987	1990	1985	1987	1990
Brazil	-1.7	-6.5	-6.8	2.9	3.3	-6.0	9.2	1.7	-0.2	-22.0
Chile	-43.9	-30.8	-20.2	-15.1	-27.0	-3.9	5.2	-21.6	-1.9	-11.8
Korea	-3.9	-6.8	-4.4	3.7	-3.6	1.2	2.1	2.6	3.8	2.9
Turkey	-17.6	-15.4	-11.9	-4.8	-11.7	-8.7	-6.7	-5.4	-13.0	-16.0
Mexico	13.5	3.4	-2.9	-19.5	1.3	-8.1	-8.8	-9.7	-4.6	-0.4
Venezuela	16.8	19.3	12.9	-1.3	13.3	0.5	6.6	1.5	-1.2	11.0
Indonesia	-11.3	-4.2	-2.1	-10.0	-5.9	-5.4	-1.4	-17.2	-6.7	1.0
Nigeria	-5.1	2.3	-9.3	-32.6	-4.3	-26.4	-33.8	-19.1	-28.1	2.4

for underlying deficiencies in export orientation and capacity.

In general, the scenario with stable oil prices augurs only moderately well for the borrowers' real non-petroleum export earnings. The oil price erosion scenario, in which OECD real GNP growth averages about 0.7% per annum higher than under stable oil prices, would lead to a much better result, adding one percentage point or more to annual growth in the borrowers' export earnings in real terms. For such raw material exporters as Chile the benefit would be compounded by the more robust path in commodity prices that faster OECD economic growth should engender. For Turkey, however, the benefit of oil price erosion would be muted by a slowdown in sales to its important markets in the Middle East. In the third scenario, the short-lived burst in OECD growth could give a temporary fillip to LDCs' non-oil export earnings, but that impetus would fade once OECD demand faltered.

Turning to the *current account*, Tables 9 and 10 show that even with stable oil prices the oil-importing borrowers would all record substantial improvement. Relative progress would be greatest for Chile and Turkey, whose starting levels of deficit are the largest in relation to export earnings. The deficits of Brazil and Korea would edge into modest surplus by the end of the decade. With

oil price erosion, the current account results for most oil-importing countries should be even better, since they would simultaneously enjoy faster export growth, terms of trade gains, and lower interest rates. Of course, these long-term current account benefits would prove elusive if the gains in export earnings or savings on interest payments were consciously used to cover equal increases in imports. However, even without deliberate policy relaxation on the part of LDC governments, their imports would likely rise somewhat and their economic growth accelerate, since lower oil prices and interest rates imply higher real spendable incomes for their consumers. Real GDP growth rates in the borrowing countries under the three scenarios are shown in Table 11. The differences are estimated to be small, unless governments guide domestic policies by external balance objectives.

The current account balances of oil exporters would do fairly well in 1985 with stable oil prices: Mexico and Venezuela would stay in the black; Nigeria could move into small surplus; and Indonesia's deficit would be 60% smaller than in 1984. However, the longer-term benefits to oil producers of stable prices are not as favorable as might be imagined. For example, if oil prices erode, the more vigorous non-oil export sales accruing from faster

Table 11

Real GDP
percent changes

1984 est.	1985-90, annual average by scenario		
	I	II	III
Brazil	4.0	5.9	6.0
Chile	6.0	3.4	3.8
Korea	7.5	6.1	7.2
Turkey	5.5	4.0	5.5
Mexico	1.5	5.0	4.9
Venezuela	-1.7	3.4	3.4
Indonesia	4.7	4.8	5.0
Nigeria	-0.9	1.4	1.8

Table 12

Interest payments

percent of exports of goods and services

	1984 est.	1990 by scenario		
		I	II	III
Brazil	38.9	23.6	17.5	26.7
Chile	42.0	31.8	20.4	23.3
Korea	11.4	8.4	6.6	7.7
Turkey	16.0	11.1	9.3	13.2
Mexico	37.1	32.6	27.9	27.8
Venezuela	22.6	14.2	14.9	18.3
Indonesia	10.1	9.1	7.2	9.8
Nigeria	15.8	17.5	18.4	16.1

OECD economic growth, together with lower import price inflation and reduced interest payments on their accumulated foreign debt (see Table 12), should enable Mexico and Indonesia to achieve much better current account results by 1990 than they would with oil prices stable. For Venezuela, whose non-oil export sector is relatively small, the projected improvement would hinge on the reduction in world interest rates, together with the eventual recovery of real oil prices.

As for the third scenario, the immediate current account costs would be very large for the oil exporters, notwithstanding the assumed decline in interest rates.

Except for Turkey, the oil importers should gain substantially on current account so long as oil prices remain low. Turkey's current account would improve sharply in 1985 but revert to large deficit just two years later: by that time, losses in Middle East purchasing power would depress Turkey's exports while firming oil prices would inflate its import bill. Later, as oil prices soar and OECD economic growth is curtailed, most oil-importing LDCs could well return to current account deficit, possibly sizable. For their part, the oil-exporting countries could move quickly into surplus if oil prices rise sufficiently far and fast.

Table 13 sets out the projected

behavior under the three scenarios of *debt-to-export ratios*. With oil prices holding stable, almost all the eight major borrowers should succeed in bringing down their debt-to-export ratios. Brazil could cut its debt burden by one-third relative to exports by 1990. Other reductions would be: Venezuela, one-third; Korea and Turkey, each about one quarter; Indonesia, 15%. Mexico's progress, however, would likely be slight. Most problematic would be the prospects for Chile and Nigeria.

In the erosion scenario, price weakness naturally delays progress in reducing the debt burdens on oil exporters. However, the projected pickup in OECD growth could allow both Mexico and Indonesia to close out the decade with debt burdens considerably reduced, despite the intervening price weakness in their principal export commodity. Venezuela also could wind up ahead.

In the event that oil prices drop precipitously, the debt burdens of oil exporters would balloon so long as oil prices held far below present levels. Even if oil prices were subsequently to soar, high interest rates would make it hard for Venezuela or Nigeria to achieve substantial overall reductions in their debt burdens by the end of the decade. The outcome might be quite favorable, however, for Mexico and Indonesia if they were resolute in adjustment.

Table 13

Debt-to-export ratios

total external debt as percent of exports of goods and services

	1984 est.	Scenario I			Scenario II			Scenario III		
		1985	1987	1990	1985	1987	1990	1985	1987	1990
Brazil	324	319	290	212	320	263	173	308	261	221
Chile	404	415	367	312	414	310	222	392	300	253
Korea	115	113	113	88	112	100	68	109	92	66
Turkey	239	227	214	177	230	201	167	229	207	187
Mexico	304	309	292	296	328	319	277	367	326	232
Venezuela	185	172	143	128	194	188	148	232	219	151
Indonesia	135	130	121	114	138	130	104	164	154	110
Nigeria	155	143	144	194	161	202	230	191	248	161

As for the oil-importing borrowers, their ability to cope with a new oil price explosion toward the end of this decade would be vitally affected by their near-term response to any intervening decline in oil prices. If such a decline were misread as permanent, and were taken as the cue for relaxation of adjustment policies or neglect of fundamental domestic reforms, these borrowers could find themselves entering a new phase of fast-rising oil prices with debt burdens still high and export capabilities inadequate.

Summing up

The oil market is in profound disequilibrium. OPEC's attempts to manage production as strictly as would be required for preservation of the present price structure are being thwarted by the overwhelming forces of excess capacity, financial woes, and producer indiscipline. Nor is the disequilibrium sure to fade quickly. There is continuing momentum for energy conservation and substitution away from oil. Non-OPEC producers have come to the fore, with the result that OPEC has seen its share of free-world oil consumption sink inexorably from 60% in 1979 to 40% at present, even while OPEC members hold almost 80% of free world proven reserves.

The question no longer is whether prices will fall but by how far and for how long. There is no certainty what path prices will take. However, it is by no means a matter of indifference. An erratic, precipitous decline should be avoided, since it would spell serious trouble for a number of industries and producing countries, potentially leading to wider problems unless the attendant financial strains are adequately contained. However, a staged decline in oil prices, cumulatively of appreciable degree, can be a highly positive opportunity for the world at

large, permitting lower nominal and real interest rates, increased real incomes, and a boost for economic growth and employment.

For favorable results, however, it is pivotal that policymakers in the industrial countries respond affirmatively to an oil price decline. Just as contractionary policies were necessary for successful adjustment to the run-up in oil prices, so now would accommodating policies be appropriate to take best advantage of the expansionary potential of oil price declines. For one thing, the prospective loss of export sales to oil-producing countries would have to be made up through additional domestic demand. More important, if accelerated economic growth and employment gains are to be realized, consumers in industrial countries need to reap the benefit of the higher real incomes that lower oil prices should make possible. In this light, proposals to raise taxes on petroleum, in order to sustain the momentum of energy conservation and oil substitution as the world oil price declines, could well negate any consumer boost. If such taxes are raised, therefore, it is vital that the additional revenues be returned to the consumer or business spending stream through reductions in other levies.

Higher economic growth in the industrial countries promises major benefits for the developing countries, not only for those that are net importers of oil, but also for those oil exporters, such as Mexico and Indonesia, that have nonpetroleum sectors with substantial potential to boost export earnings. Thus, the great majority of LDC borrowers should find that lower oil prices improve their external economic and financial performance in greater or lesser degree. Inevitably, some would be worse off. For the world economy at large, however, lower oil prices would be a welcome tonic.

Statistical appendix

For key to data in tables see September 1984 issue.

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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average=100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures. Annual figures are calendar year averages.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
Pre-June																
1970 parities	114.6	114.4	69.0	116.4	111.1	66.2	226.2	147.5	80.6	91.1	82.1	143.2	51.3	113.0	92.3	119.6
Smithsonian central rates	103.1	121.9	77.2	116.7	109.8	68.9	220.9	146.7	80.6	92.3	82.9	142.7	53.2	110.8	90.9	117.6
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	97.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1984	122.4	97.3	113.0	94.2	84.4	107.4	86.7	88.1	103.6	88.9	104.0	77.4	110.5	93.9	97.8	84.3
1984																
January	119.1	100.5	113.3	95.5	84.1	106.5	87.6	91.5	102.6	87.7	101.7	76.3	113.8	93.6	99.2	83.4
February	117.3	100.2	111.9	97.3	84.7	106.0	87.0	91.4	103.5	88.3	104.3	77.1	112.2	94.0	99.0	82.9
March	115.4	98.0	114.7	97.2	85.3	109.0	87.2	89.8	104.2	89.0	105.0	77.2	111.7	94.6	98.7	83.5
April	116.7	97.5	115.7	95.1	85.2	108.6	87.3	88.9	104.1	89.0	104.8	78.1	111.3	94.0	98.9	83.7
May	119.5	96.8	114.6	95.1	84.6	107.7	86.9	89.1	103.8	88.8	104.4	78.4	110.9	93.6	99.1	83.6
June	120.2	96.2	113.3	93.0	84.9	108.2	87.0	88.6	104.2	88.9	104.6	78.0	110.1	93.8	99.1	83.4
July	124.2	95.4	110.8	90.3	84.6	107.7	87.3	87.7	104.1	89.3	104.0	77.3	107.9	93.7	97.4	84.4
August	124.0	97.0	111.4	91.9	84.3	107.3	86.6	87.9	103.8	89.3	103.8	76.6	108.8	93.6	97.1	84.6
September	127.3	96.7	112.0	92.1	83.6	106.2	85.9	87.1	103.2	88.9	103.1	76.9	109.3	93.2	96.9	85.6
October	128.5	96.6	112.0	93.6	83.7	106.3	85.7	85.3	103.2	88.7	103.2	77.0	109.8	93.4	97.1	85.6
November	126.8	96.5	112.5	95.0	84.0	106.7	85.6	85.2	103.4	89.3	103.5	77.4	110.2	94.2	95.5	85.1
December	129.5	96.7	112.0	94.8	83.6	106.1	86.0	83.7	103.2	89.3	103.0	77.8	109.5	94.5	95.5	85.0
November 30	128.7	96.4	112.4	96.1	83.8	106.2	85.7	84.2	103.3	89.3	103.2	77.3	109.9	94.2	95.5	85.3
December 7	128.9	96.4	112.0	96.0	83.7	106.2	85.9	84.5	103.1	89.1	103.1	77.5	109.6	94.1	95.4	85.2
14	129.1	96.6	112.1	95.0	83.6	106.1	86.0	84.2	103.2	89.2	103.0	77.8	109.4	94.5	95.5	85.1
21	129.4	96.9	112.2	94.3	83.7	106.1	86.2	83.1	103.3	89.5	103.0	78.0	109.6	94.7	95.5	85.0
28	130.2	97.0	111.8	94.4	83.5	105.9	86.2	82.9	103.3	89.4	102.8	78.1	109.5	94.7	95.6	85.1
January 4	131.3	96.9	111.0	93.4	83.4	105.8	86.3	82.5	103.2	89.7	102.9	78.0	108.9	94.8	95.4	85.0
11	131.7	97.1	110.2	93.5	83.6	106.2	86.3	81.5	103.4	89.9	103.0	78.7	108.0	95.0	95.8	85.0
18	132.4	96.9	110.5	94.4	83.6	106.1	86.6	80.6	103.7	89.8	103.0	78.1	107.5	95.1	95.8	84.9

Real effective exchange rates

Index numbers, 1980-82 average=100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated. Index revisions reflect revised price information or, less frequently, adoption of new price indices to measure inflation in one or more countries.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Netherlands	Spain	Switzerland	Denmark	Norway	Sweden
1981	100.6	100.0	104.6	102.7	100.1	97.3	98.7	102.3	99.1	100.3	97.6	99.4	98.7	99.2	100.9	102.1
1982	109.9	100.4	92.3	104.3	97.7	99.2	97.8	97.9	100.7	92.3	102.5	99.8	102.6	97.3	102.5	96.7
1983	112.7	103.1	96.6	100.0	95.9	99.3	100.1	92.0	101.6	92.1	101.8	90.6	105.3	98.8	101.2	91.5
1984	118.2	101.1	97.6	105.4	96.9	96.6	101.1	89.3	102.4	89.2	100.4	95.0	101.9	96.4	100.1	96.8
1984																
January	116.1	103.7	99.1	105.4	94.3	96.7	100.3	91.9	102.1	89.8	100.4	91.7	106.0	95.3	101.3	95.1
February	114.1	103.5	97.7	107.4	95.5	97.7	100.0	91.9	102.9	90.0	101.2	92.9	104.3	96.5	101.5	94.7
March	111.9	101.7	99.9	107.3	96.4	98.5	100.6	90.7	103.6	90.5	101.7	93.7	103.9	96.2	101.0	95.7
April	113.0	101.5	100.4	105.2	96.6	98.0	101.3	89.9	103.1	90.1	101.4	95.0	103.2	95.5	101.0	95.6
May	115.8	100.5	99.1	105.6	97.2	96.9	101.2	90.2	102.5	89.5	100.8	95.6	101.7	95.5	101.7	95.7
June	116.4	99.9	97.7	103.6	97.5	97.2	101.3	89.7	102.9	89.4	101.3	95.9	101.1	97.2	101.3	95.4
July	120.0	99.5	95.4	101.1	97.3	96.7	101.8	89.0	102.9	89.5	100.6	95.3	98.9	95.3	99.1	97.0
August	119.7	101.0	95.8	103.4	97.7	96.0	101.3	89.2	102.7	89.3	100.3	94.3	100.2	95.8	98.5	97.8
September	121.6	101.2	98.7	104.1	97.1	95.2	100.7	88.7	101.8	88.5	99.5	95.5	100.6	97.1	99.4	98.9
October	123.6	100.3	96.0	105.8	97.3	95.2	101.3	86.8	101.6	87.9	99.4	95.8	100.6	96.7	100.2	98.7
November	122.0	100.0	98.1	107.9	98.0	95.6	101.1	86.8	101.6	88.2	99.6	96.7	101.1	97.2	98.3	98.4
December	124.3	100.2	95.6	108.0	97.9	95.0	101.9	85.2	101.2	87.9	99.1	97.6	100.4	98.0	97.9	98.5

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

		1981	1982	1983	1984						
		Dec	Dec	Dec	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Eurodollar	overnight	12.87	9.25	9.50	11.25	11.75	11.50	11.63	9.81	8.69	8.63
	one month	13.31	9.13	9.69	11.75	11.50	11.69	11.00	9.75	8.81	8.38
	three months	13.75	9.19	9.81	12.13	11.81	11.88	11.38	10.00	9.06	8.63
	six months	14.81	9.50	10.06	12.63	12.25	12.13	11.56	10.25	9.50	9.13
	twelve months	14.75	9.63	10.38	13.50	12.75	12.63	11.81	10.81	10.06	9.81
Euro-Canadian dollar	one month	15.37	10.00	9.13	11.75	12.44	12.13	11.88	11.38	10.88	9.88
	three months	15.37	10.00	9.50	12.13	12.75	12.13	12.06	11.38	10.80	10.81
	six months	16.37	10.13	9.75	12.69	13.06	12.38	12.00	11.56	10.56	10.06
	twelve months	16.37	10.25	10.00	13.50	13.25	12.63	12.06	11.63	10.56	10.44
	Euro-French franc	one month	15.75	23.00	12.13	11.81	11.38	10.88	10.94	10.38	10.69
three months		17.00	24.00	12.19	12.31	11.75	11.88	11.25	10.69	10.88	10.69
six months		18.00	22.00	12.31	13.25	12.69	11.19	11.69	11.31	11.19	11.00
twelve months		18.25	19.75	12.63	14.56	13.63	12.69	12.13	11.75	11.63	11.38
Euromark		one month	10.44	5.88	5.25	5.56	5.25	5.31	5.44	5.56	5.56
	three months	10.50	5.88	5.88	5.88	5.75	5.50	5.75	5.81	5.56	5.50
	six months	10.56	5.94	6.13	6.19	6.13	5.88	5.94	5.81	5.63	5.56
	twelve months	10.25	6.00	6.38	6.75	6.56	6.19	6.00	5.88	5.69	5.56
	Euro-Dutch guilder	one month	10.75	5.13	5.81	5.94	6.13	6.06	6.00	5.81	5.63
three months		10.75	5.19	6.00	6.13	6.38	6.25	6.25	6.00	5.81	5.75
six months		10.75	5.38	6.25	6.44	6.69	6.56	6.38	6.13	5.88	5.81
twelve months		10.75	5.63	6.38	6.94	6.88	6.81	6.50	6.25	6.00	5.94
Euro-Swiss franc		one month	8.87	2.81	3.38	4.19	4.81	4.50	4.69	4.63	5.13
	three months	9.25	3.25	3.75	4.44	4.88	4.69	5.13	5.06	4.94	4.56
	six months	9.25	3.44	3.94	4.56	5.06	4.81	5.19	5.06	4.94	4.63
	twelve months	8.50	3.44	3.94	4.75	5.06	5.00	5.06	5.00	4.94	4.69
	Eurosterling	one month	15.37	10.56	9.13	8.81	12.25	10.75	10.69	10.63	9.69
three months		15.69	10.44	9.31	9.44	12.25	10.69	10.69	10.50	9.69	9.88
six months		15.69	10.31	9.50	9.94	12.19	10.63	10.69	10.44	9.81	10.00
twelve months		15.37	10.31	9.81	10.56	12.13	10.75	10.75	10.56	10.00	10.19
Euroyen		one month	6.12	6.75	6.25	6.00	6.13	6.38	6.13	6.13	6.50
	three months	6.12	6.75	6.31	6.19	6.31	6.31	6.31	6.31	6.31	6.19
	six months	6.87	7.10	6.38	6.31	6.31	6.31	6.31	6.31	6.31	6.13
	twelve months	6.87	6.81	6.44	6.50	6.50	6.50	6.44	6.31	6.31	6.13
	European currency unit	one month	14.63	12.44	2.81	9.00	9.31	9.06	9.63	9.50	9.19
three months		14.75	12.31	9.19	9.31	9.63	9.31	9.81	9.69	9.31	9.38
six months		15.00	12.00	9.44	9.81	10.06	9.94	10.06	9.81	9.38	9.50
twelve months		14.56	11.19	9.63	10.25	10.31	10.25	10.25	10.00	9.69	9.63

International bond issues — by currency

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983r	1984			Jan-Dec	
				Oct	Nov	Dec	1984	1983
Eurobonds	31 616	51 645	48 501	11 528	8 328	5 740	79 458	48 501
U.S. dollar	26 830	43 959	38 426	9 564	5 643	4 654	63 593	38 428
Canadian dollar	634	1 201	1 039	365	320	100	1 818	1 039
German mark	1 277	2 588	3 817	635	545	210	4 604	3 817
British pound	501	748	1 947	537	670	238	3 997	1 947
Japanese yen	368	374	212	—	490	313	1 212	212
European composite units	309	1 980	2 019	271	516	197	3 032	2 019
Other	1 697	795	1 039	156	144	28	1 202	1 039
Foreign bonds	21 369	26 397	27 828	2 628	2 616	1 658	27 912	27 828
U.S. dollar	7 552	5 946	4 545	900	200	600	5 487	4 545
German mark	1 310	2 952	2 671	212	266	354	2 243	2 671
Dutch guilder	481	958	1 053	159	89	86	1 155	1 053
British pound	746	1 214	811	242	31	—	1 292	811
Swiss franc	8 285	11 432	14 299	704	989	379	12 626	14 299
Japanese yen	2 457	3 418	3 772	397	945	225	4 628	3 772
Other	536	479	677	14	94	14	481	677
Total	52 985	78 042	76 329	14 156	10 944	7 398	107 370	76 329

International bond issues — by country of borrower

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983r	1984			Jan-Dec	
				Oct	Nov	Dec	1984	1983
Industrial countries	40 861	63 062	80 309	12 294	9 283	5 248	91 883	88 309
Australia	991	2 250	2 529	567	228	—	2 521	2 529
Austria	1 557	1 668	1 290	100	94	139	2 090	1 290
Belgium	527	211	1 116	81	400	—	1 710	1 116
Canada	10 648	11 979	7 487	613	210	100	6 250	7 487
Denmark	695	1 289	1 719	193	64	81	3 342	1 719
Finland	672	815	866	279	16	42	1 392	866
France	3 156	8 386	6 464	661	504	505	7 520	6 464
Germany	279	1 101	3 095	321	131	167	2 045	3 095
Ireland	517	625	959	136	124	36	909	959
Italy	1 108	2 214	1 545	1 018	649	36	3 249	1 545
Japan	6 928	8 397	13 977	1 121	871	588	16 978	13 977
Netherlands	630	894	935	86	231	—	1 104	935
New Zealand	1 107	1 375	645	813	439	—	1 991	645
Norway	530	332	624	165	49	63	1 053	624
Portugal	30	208	76	20	—	20	345	76
South Africa	92	374	548	108	119	21	981	548
Spain	444	747	1 470	593	72	—	1 467	1 470
Sweden	2 050	2 479	3 809	739	420	54	6 291	3 809
United Kingdom	1 408	1 201	1 398	1 239	266	616	4 677	1 398
United States	6 770	14 538	7 328	3 312	4 124	2 654	23 908	7 328
Other*	722	1 501	2 429	129	192	124	2 060	2 429
Developing countries	4 886	5 003	2 535	301	269	1 006	3 607	2 535
Latin American countries	3 658	2 480	71	20	—	—	216	71
Argentina	195	—	—	—	—	—	—	—
Brazil	60	91	—	—	—	—	—	—
Chile	30	—	—	—	—	—	—	—
Colombia	20	35	—	—	—	—	—	—
Mexico	3 012	1 919	—	—	—	—	19	—
Panama	25	—	21	—	—	—	—	21
Venezuela	291	385	—	—	—	—	—	—
Other**	25	50	50	20	—	—	197	50
Asian countries	1 068	2 075	2 252	281	269	781	3 636	2 252
Hong Kong	70	40	50	—	75	—	75	50
India	271	250	60	20	25	40	277	60
Indonesia	97	412	328	—	—	—	50	328
Korea	323	172	556	261	159	121	1 132	556
Malaysia	—	807	883	—	—	600	1 140	883
Philippines	99	50	—	—	—	—	—	—
Singapore	30	125	70	—	10	20	50	70
Thailand	93	63	265	—	—	—	270	265
Other	85	156	40	—	—	—	42	40
Middle Eastern and African countries	180	448	212	—	—	225	355	212
Egypt	—	75	—	—	—	—	40	—
Israel	117	200	135	—	—	—	—	135
United Arab Emirates	—	20	—	—	—	25	25	—
Other	43	153	77	—	—	200	290	77
Centrally planned countries	75	65	75	86	82	—	198	75
China	—	65	50	—	82	—	82	50
Hungary	20	—	—	41	—	—	41	—
Other***	55	—	25	25	—	—	75	25
International organizations****	7 163	8 912	13 410	1 495	1 390	1 146	11 682	13 410
Total	52 985	78 042	76 329	14 156	10 944	7 398	107 370	76 329

*Includes multinational organizations.

**Includes unallocated.

***Includes COMECON institutions.

****Includes regional development organizations.

International bond yields

average yield of several actively traded, high quality issues with a maturity of 7 to 12 years
at or near end of month

	1982	1983	1984						
	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov
United States companies									
Eurodollar	11.16	11.59	13.33	13.27	12.70	11.97	12.09	11.85	11.17
Euromark	7.24	7.34	7.55	7.48	7.74	7.40	7.30	7.19	6.95
Swiss franc	5.70	5.83	5.94	5.79	5.76	5.69	5.72	5.78	5.70
European governments									
Eurodollar	12.53	12.65	14.18	14.14	13.61	13.03	12.92	12.49	12.00
Euromark	8.10	8.12	8.03	8.07	8.31	7.94	7.78	7.61	7.39
Swiss franc	5.40	5.63	5.63	5.59	5.47	5.38	5.39	5.40	5.24
European currency unit	n.a.	11.77	11.40	11.63	11.00	11.58	11.43	11.00	10.79

Eurocurrency bank credits — by country of borrower

credits with a maturity of one year or more, publicly announced in period
millions of dollars

	1981	1982	1983r	1984			Jan-Dec	
				Oct*	Nov*	Dec	1984	1983
Industrial countries	88 022	42 571	38 752	4 183	4 290	8 822	77 111	38 752
Australia	1 680	4 721	2 924	898	—	580	2 709	2 924
Belgium	380	1 172	883	—	—	—	—	883
Canada	4 112	3 838	967	—	—	4 000	6 021	967
Denmark	1 881	789	1 586	104	—	101	1 248	1 586
Finland	463	631	283	—	67	—	157	283
France	3 912	5 703	1 700	547	—	218	3 420	1 700
Greece	1 039	770	1 085	300	—	—	945	1 085
Ireland	1 361	401	764	—	—	—	378	764
Italy	6 030	3 757	2 980	505	839	256	3 328	2 980
Norway	713	1 769	1 236	87	—	10	121	1 236
Portugal	1 590	1 288	913	54	—	50	907	913
South Africa	287	1 479	752	—	—	—	110	752
Spain	3 242	1 849	3 041	249	71	174	2 805	3 041
Sweden	1 867	649	3 198	115	300	5	4 923	3 198
United Kingdom	747	1 635	1 328	410	248	—	4 222	1 328
United States	54 784	6 516	12 948	655	1 475	953	41 148	12 948
Yugoslavia	684	719	615	40	—	—	101	615
Other*	1 490	4 785	1 549	419	1 200	175	4 670	1 549
Developing countries	45 284	41 519	32 937	1 134	2 784	4 538	31 585	32 937
Latin American countries	30 152	28 719	15 486	150	—	3 950	16 437	15 486
Argentina	2 534	1 585	1 750	—	—	3 700	3 700	1 750
Brazil	5 751	5 716	4 475	—	—	—	6 525	4 475
Chile	2 204	1 194	1 319	—	—	—	784	1 319
Colombia	1 030	741	549	—	—	—	584	549
Ecuador	934	815	431	—	—	—	80	431
Mexico	7 530	7 953	5 138	—	—	—	3 885	5 138
Peru	1 407	1 089	500	—	—	—	10	500
Venezuela	7 559	6 799	237	—	—	—	—	237
Other**	1 203	867	1 007	150	—	250	889	1 007
Asian countries	10 288	8 403	8 838	929	1 987	171	19 185	8 838
India	377	284	809	309	50	—	664	809
Indonesia	725	1 250	1 467	24	27	—	1 378	1 467
Korea	2 824	2 923	3 250	296	414	30	4 343	3 250
Malaysia	1 725	1 909	950	—	—	141	925	950
Pakistan	350	455	365	—	91	—	191	365
Philippines	1 257	635	819	—	925	—	925	819
Thailand	692	268	349	300	—	—	943	349
Other	2 338	679	819	—	—	—	819	819
Middle Eastern and African countries	4 824	6 387	8 783	55	1 197	415	4 933	8 783
Algeria	—	26	1 934	—	500	—	700	1 934
Egypt	63	353	335	25	61	—	130	335
Morocco	774	326	226	—	—	—	115	226
Nigeria	1 802	2 042	1 775	—	—	—	—	1 775
Turkey	100	277	1 106	25	500	—	1 241	1 106
United Arab Emirates	363	93	876	—	—	—	39	876
Other	1 722	3 280	2 451	5	138	415	2 708	2 451
Centrally planned countries	1 791	765	1 212	188	433	—	3 370	1 212
East Germany	470	8	392	40	433	—	583	392
Hungary	550	340	683	—	—	—	1 177	683
Soviet Union	25	374	68	122	—	—	926	68
Other***	746	43	68	4	—	—	704	68
International organizations****	302	188	1 321	250	—	—	250	1 321
Total	133 379	85 015	74 222	5 733	7 337	11 088	112 286	74 222

*Includes multinational organizations.

**Includes unallocated.

***Includes COMECON institutions.

****Includes regional development organizations.

Eurocurrency market size

measured by foreign currency liabilities
at end of period, billions of dollars

	1977	1978	1979	1980	1981	1982	1983		1984	
							Sep	Dec	Mar	Jun
Gross market size	748	946	1 245	1 538	1 814	2 038	2 101	2 148	2 224	2 222
Nonbanks	150	187	219	274	353	397	415	436	455	451
Official monetary institutions	76	86	122	129	114	92	87	89	87	89
Other banks	522	673	904	1 135	1 347	1 549	1 676	1 623	1 682	1 682
Eurodollars as % of gross	75	73	72	74	77	79	80	80	79	80

Central bank discount rates

at or near end of month

	1981	1982	1983	1984					Current	
	Dec	Dec	Dec	Aug	Sep	Oct	Nov	Dec	Jan 24 1985	effective since
United States	12.00	8.50	8.50	9.00	9.00	9.00	8.50	8.00	8.00	Dec 24, 84
Canada	14.00	10.05	9.96	12.39	12.28	11.71	10.75	10.16	9.66	Jan 24, 85
Austria	6.75	4.75	3.75	4.50	4.50	4.50	4.50	4.50	4.50	Jun 28, 84
Belgium	13.00	11.50	10.00	11.00	11.00	11.00	11.00	11.00	11.00	Feb 16, 84
Denmark	11.00	10.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Oct 27, 83
Finland	9.30	8.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Jul 1, 83
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	7.90	5.00	4.00	4.50	4.50	4.50	4.50	4.50	4.50	Jun 29, 84
Ireland	17.15	14.35	11.50	13.00	13.00	13.00	14.00	13.75	13.75	Dec, 84
Italy	19.00	18.00	17.00	15.50	16.50	16.50	16.50	16.50	15.50	Jan 4, 85
Netherlands	9.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Sep 9, 83
Norway	9.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jun 8, 83
Portugal	19.00	19.00	25.00	25.00	25.00	25.00	25.00	25.00	25.00	Aug 10, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	11.00	10.00	8.50	9.50	9.50	9.50	9.50	9.50	9.50	Jun 29, 84
Switzerland	6.00	4.50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	14.37	10.00	9.00	10.38	10.38	10.38	9.38	9.38	9.38	Nov 27, 84
Japan	5.50	5.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Oct 22, 83
New Zealand	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	13.50	15.45	18.50	22.25	22.25	22.25	21.25	21.25	22.25	Jan 8, 85
Argentina	98.50	128.54	183.75	199.94	199.94	221.31	221.31	221.31	221.31	Oct 1, 84
Korea	10.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	6.00	6.30	8.05	11.52	11.36	10.93	11.06	12.11	12.11	Dec, 84
Singapore	9.50	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	Feb 19, 82
Thailand	14.50	12.50	13.00	13.00	13.00	13.00	13.00	13.00	13.00	Dec 9, 83
Venezuela	14.00	13.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	May 18, 83

Day-to-day money rates

monthly averages

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	12.37	8.95	9.47	10.32	11.06	11.23	11.64	11.30	9.99	9.43	8.40
Canada	14.53	10.63	8.78	9.78	10.75	11.41	12.25	12.13	11.95	11.22	10.50
Austria	7.50	6.00	5.75	6.50	6.50	6.50	6.63	6.63	6.75	7.25	7.63
Belgium	12.78	9.43	8.65	9.13	9.80	10.22	10.72	8.79	9.57	10.24	9.02
Finland	11.30	11.50	16.70	16.53	16.80	16.53	16.50	16.10	15.75	15.48	15.07
France	15.46	12.88	12.27	12.04	12.12	11.45	11.43	11.36	11.04	11.18	10.95
Germany	10.65	6.07	5.60	5.53	5.53	5.57	5.53	5.56	5.61	5.52	5.55
Ireland	16.88	14.54	12.19	11.75	10.94	12.00	11.88	12.38	13.50	14.25	14.50
Italy	20.63	19.00	17.88	16.93	16.75	16.75	16.63	17.34	17.38	17.25	17.25
Netherlands	10.67	5.31	5.84	5.62	5.85	5.98	5.85	5.84	5.90	5.57	5.60
Norway	18.00	11.00	13.00	13.00	12.50	12.00	12.50	13.00	13.00	13.00	13.00
Spain	18.73	20.30	16.41	11.93	11.91	11.15	12.69	12.51	10.83	12.99	12.18
Sweden	13.82	8.63	11.48	11.50	13.50	12.95	13.50	13.50	12.50	10.95	12.15
Switzerland	3.38	1.25	1.88	2.25	2.13	2.88	2.00	2.50	2.00	1.50	1.50
United Kingdom	9.13	6.70	7.78	3.25	5.00	8.63	10.58	7.28	7.38	7.55	6.31
Australia	12.84	11.04	4.56	13.30	11.44	11.34	10.94	10.56	10.61	10.92	10.88
Japan	6.70	6.92	6.44	5.74	5.91	6.03	6.11	6.32	6.15	6.10	6.41
South Africa	12.75	14.15	16.06	17.25	17.25	18.06	20.30	22.63	21.50	21.50	21.13
Argentina	84.93	155.32	178.30	161.88	161.88	194.56	194.56	194.56	215.99	215.99	215.99
Brazil	103.74	150.42	184.69	198.78	228.75	283.79	242.73	285.03	328.87	244.59	272.02
Hong Kong	10.75	9.13	13.90	11.00	13.00	23.40	11.30	11.99	8.47	7.23	6.80
Korea	14.40	13.84	11.40	11.90	11.90	11.70	11.70	11.20	11.30	10.90	10.00
Philippines	14.70	16.12	31.18	33.17	40.41	39.79	29.13	34.29	40.09	32.17	15.22
Singapore	3.96	11.45	7.05	7.82	8.80	7.67	8.05	8.16	7.54	6.29	6.01

Treasury bill rates

bond equivalent yields, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	11.90	8.15	8.28	10.13	10.29	10.67	11.06	10.64	9.69	8.71	7.99
Canada	14.41	9.80	9.71	11.29	12.11	12.73	12.13	12.02	11.46	10.50	9.84
Belgium	16.00	12.25	10.85	11.75	11.75	11.75	11.50	11.00	11.00	10.75	10.75
Ireland	17.35	14.70	11.63	12.10	12.08	13.23	12.81	12.71	12.90	14.80	15.10
Italy	21.36	19.11	16.95	14.99	14.85	14.99	14.99	15.40	15.30	14.90	14.69
Netherlands	9.75	5.63	5.63	5.63	5.88	5.75	5.75	5.50	5.63	5.63	5.88
Spain	n.a.	15.28	14.46	12.04	11.17	10.30	9.44	8.91	n.a.	n.a.	n.a.
Sweden	n.a.	12.90	11.75	11.83	14.20	14.12	14.06	13.80	11.83	12.04	11.83
United Kingdom	15.31	9.90	9.06	9.99	9.08	11.77	10.22	10.39	10.06	9.34	9.37
Australia	13.27	9.39	8.54	11.81	11.24	10.60	9.74	9.60	10.75	10.98	12.27
Japan	5.42	5.42	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91	4.91
New Zealand	11.25	11.25	7.80	7.80	7.80	7.80	7.80	7.80	13.50	13.50	13.50
South Africa	14.55	14.62	18.43	18.64	18.44	19.69	23.02	23.02	23.03	21.82	21.94
Brazil	92.62	115.40	179.15	179.15	179.15	179.15	179.15	269.00	273.03	273.03	273.03
Mexico	33.23	57.44	53.78	51.56	50.55	50.31	50.13	48.36	47.88	47.10	47.71
Philippines	13.22	14.54	15.99	20.80	28.53	33.34	37.51	42.56	46.30	48.67	47.14
Singapore	3.03	2.74	2.59	3.00	3.01	3.00	3.01	3.01	3.01	2.85	2.82

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	12.78	8.81	9.75	10.94	11.63	11.36	11.58	10.94	9.59	8.84	8.22
Canada	15.25	9.95	9.87	11.55	12.50	13.05	12.30	12.25	11.80	10.80	10.10
Belgium	16.00	12.35	11.00	11.90	11.90	11.90	11.50	11.00	11.00	10.75	10.70
France	15.25	12.75	12.19	12.25	12.06	11.63	11.18	10.94	10.18	10.56	10.69
Germany	10.50	6.20	6.30	6.25	6.10	6.05	5.90	6.05	6.05	5.80	5.75
Ireland	18.50	15.75	12.19	12.75	12.50	13.75	13.25	13.06	13.75	15.38	15.13
Italy	21.00	19.00	17.88	16.75	16.63	16.63	16.63	17.25	17.25	17.25	17.25
Netherlands	11.00	5.25	6.00	6.13	6.19	6.44	6.38	6.19	6.06	5.94	5.75
Portugal	13.80	15.05	24.11	24.00	24.13	24.65	24.53	24.60	24.52	24.51	24.57
Spain	15.52	16.55	18.48	14.66	13.45	12.91	13.19	12.86	12.54	12.95	12.13
Switzerland	10.12	3.88	3.88	4.25	4.50	4.88	5.38	5.38	5.25	5.00	5.00
United Kingdom	15.69	10.50	9.31	9.75	9.44	12.31	10.69	10.69	10.88	9.69	9.88
Australia	16.00	10.65	9.50	13.55	12.70	12.50	11.10	11.30	11.30	11.75	12.50
Japan	6.30	6.80	6.42	6.35	6.32	6.33	6.32	6.32	6.30	6.30	6.29
New Zealand	16.05	16.75	12.10	17.00	17.00	16.50	15.25	16.75	16.25	15.25	15.25
South Africa	15.47	15.26	19.12	16.00	18.74	20.78	23.39	23.56	23.56	22.11	22.78
Chile	34.54	71.44	22.42	18.16	18.16	19.56	18.16	39.29	52.87	56.45	22.42
Hong Kong	14.18	10.13	12.84	12.38	13.13	17.06	12.83	12.78	10.13	8.76	8.26
Indonesia	14.48	18.50	19.50	19.00	20.00	21.00	21.00	21.00	21.00	20.00	19.00
Korea	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.50	8.50	9.80	9.20	9.70	10.20	10.50	10.30	15.00	10.00	10.30
Philippines	17.70	15.96	15.61	26.51	17.93	19.55	27.32	19.54	31.23	38.67	33.21
Singapore	7.81	8.69	8.44	9.13	9.00	9.06	9.03	8.81	7.38	6.69	7.00
Taiwan	10.94	9.94	7.65	6.15	7.77	7.27	6.62	7.27	5.17	6.17	8.07
Thailand	14.29	12.25	16.00	14.00	13.50	13.50	13.50	14.50	14.00	12.00	12.00

Commercial bank deposit rates

at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	12.62	8.25	9.70	11.50	11.70	11.38	11.58	10.95	9.95	8.85	8.35
Canada	15.20	9.85	9.82	11.50	12.45	13.00	12.25	12.20	11.75	10.75	10.05
Austria	9.63	6.25	6.50	6.88	6.88	6.88	6.94	7.06	7.38	7.63	7.50
Belgium	15.50	12.25	11.25	11.88	12.50	11.63	11.25	10.88	10.75	10.63	10.63
Denmark	10.00	9.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Finland	5.00	4.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
France	9.16	8.24	7.66	7.55	7.55	7.50	7.30	7.30	7.08	7.14	7.04
Germany	9.50	6.00	5.90	5.65	5.60	5.55	5.40	5.30	5.40	5.30	5.25
Ireland	18.38	15.25	11.75	12.50	12.25	13.13	12.75	12.75	13.25	14.75	14.63
Italy	13.25	13.25	13.25	11.64	11.64	11.64	11.64	11.64	11.64	11.64	11.64
Netherlands	11.00	5.38	6.13	6.00	6.13	6.31	6.13	6.13	6.00	5.81	5.69
Norway	12.75	13.50	12.75	12.50	12.50	12.25	12.25	12.75	12.75	12.75	12.75
Portugal	14.00	15.00	21.50	21.50	28.00	28.00	28.00	28.00	28.00	28.00	27.00
Spain	11.78	12.53	12.62	12.49	12.75	12.50	12.38	12.18	11.76	11.67	n.a.
Sweden	12.65	12.15	11.70	11.25	13.65	13.70	13.55	13.45	11.50	11.50	11.45
Switzerland	8.75	3.00	3.50	3.25	3.25	4.25	4.88	4.88	4.75	4.63	4.50
United Kingdom	15.69	10.31	9.31	9.94	9.44	12.25	10.59	10.63	10.44	9.75	9.88
Australia	15.65	10.20	10.40	13.43	12.80	12.28	10.85	10.68	11.22	11.46	12.75
Japan	6.50	7.00	6.50	6.50	6.45	6.47	6.46	6.42	6.42	6.43	6.38
New Zealand	15.50	16.50	11.50	16.50	15.00	15.00	15.50	15.25	15.00	15.50	15.25
South Africa	14.75	15.25	20.13	18.78	18.65	20.50	23.25	23.50	23.58	22.00	22.88
Argentina	86.76	103.42	176.41	158.17	158.17	188.58	188.58	270.00	320.00	285.00	380.00
Brazil	110.05	21.00	23.00	22.00	22.00	20.00	21.00	27.00	26.00	26.50	27.00
Chile	38.87	57.72	22.28	18.16	18.16	19.56	18.16	15.39	58.81	66.31	22.42
Hong Kong	12.50	7.50	9.00	9.50	12.50	12.50	9.50	9.50	8.00	7.50	7.00
Korea	14.40	7.60	7.60	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Malaysia	10.00	8.40	7.75	8.70	8.83	8.88	8.95	9.37	10.08	10.02	9.58
Mexico	31.82	52.54	54.70	49.00	49.00	49.00	48.35	46.45	44.90	44.90	44.90
Philippines	13.35	14.10	14.96	15.92	20.83	19.92	20.63	23.36	29.37	32.47	31.01
Singapore	7.50	8.25	7.44	8.38	8.19	8.19	8.19	8.19	7.01	6.19	6.13
Taiwan	10.75	7.50	7.00	6.75	6.75	6.75	6.75	6.75	6.75	6.50	6.50
Thailand	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Venezuela	14.75	15.50	12.00	12.00	12.00	12.50	12.50	12.00	13.00	13.00	12.50

Domestic government bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	14.33	10.61	12.00	13.58	13.75	12.97	12.69	12.32	11.88	11.64	11.61
Canada	15.27	11.69	12.02	13.93	13.81	13.41	12.89	12.63	12.18	11.81	11.66
Austria	10.37	8.81	8.02	7.99	8.06	8.09	8.10	8.09	8.10	8.07	8.04
Belgium	13.99	12.66	11.89	12.19	12.13	12.05	11.82	11.85	11.74	11.47	11.56
Denmark	20.91	20.14	12.96	15.20	15.54	15.33	15.17	15.30	14.63	14.92	14.60
Finland	10.98	10.64	11.16	11.20	11.29	11.35	10.83	10.87	10.85	10.84	10.73
France	16.44	15.40	13.96	13.82	13.99	13.91	13.58	13.05	11.92	12.36	12.70
Germany	9.71	7.90	8.38	8.29	8.25	8.27	7.97	7.83	7.53	7.20	7.17
Ireland	18.28	14.54	14.25	14.49	14.58	14.89	14.95	14.98	14.99	15.25	14.90
Italy	21.39	19.70	17.69	15.71	15.47	15.12	15.22	15.58	15.32	15.26	n.a.
Netherlands	11.28	8.16	8.58	8.52	8.68	8.69	8.50	8.26	7.94	7.65	7.72
Norway	12.37	13.32	12.50	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Portugal	17.39	16.63	22.11	21.82	21.90	21.19	20.69	21.05	20.84	n.a.	n.a.
Spain	16.20	15.92	18.71	18.69	18.18	17.66	17.14	16.66	15.36	n.a.	n.a.
Sweden	12.80	13.01	12.30	12.60	14.01	14.19	13.70	12.98	12.34	12.16	12.04
Switzerland	5.40	4.22	4.54	4.77	4.69	4.66	4.58	4.81	4.89	4.77	4.78
United Kingdom	15.02	10.62	9.94	10.73	10.81	11.17	10.43	10.18	10.19	9.96	10.25
Australia	15.00	13.00	13.65	14.10	14.00	13.30	13.10	13.50	13.30	13.30	13.40
Japan	8.11	7.96	7.45	7.60	7.50	7.47	7.45	7.37	7.11	6.61	6.36
New Zealand	12.55	12.84	10.50	8.50	10.06	10.25	15.03	15.31	16.65	16.30	16.60
South Africa	13.33	11.31	13.64	14.86	14.72	15.43	16.04	16.44	16.80	15.90	16.55
Philippines	13.01	13.64	14.47	18.45	19.04	12.19	20.59	38.67	27.31	34.77	18.54
Venezuela	12.50	15.00	13.50	14.00	14.00	14.00	14.50	14.00	14.50	14.50	14.00

Commercial bank lending rates to prime borrowers

at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	15.75	11.50	11.00	12.50	13.00	13.00	13.00	12.75	12.00	11.25	10.75
Canada	16.50	12.50	11.00	12.00	12.50	13.50	13.00	13.00	12.50	12.00	11.25
Austria	13.50	11.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	18.00	15.50	13.75	14.75	14.75	14.75	14.25	14.25	14.00	14.00	14.00
Denmark	15.00	14.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.50	10.50
Finland	9.84	8.95	10.18	10.43	10.48	10.48	10.49	10.54	10.52	10.60	10.63
France	14.00	12.25	12.25	12.25	12.25	12.25	12.00	12.00	12.00	12.00	11.50
Germany	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Ireland	17.25	16.50	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	15.75
Italy	22.50	20.75	18.75	17.00	17.00	17.00	17.00	18.00	18.00	18.00	18.00
Netherlands	12.00	6.25	7.00	6.50	6.50	6.75	6.75	6.50	6.50	6.50	6.25
Norway	13.75	14.50	13.50	12.75	13.00	12.75	12.50	13.00	13.25	13.00	13.00
Portugal	20.50	23.50	30.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00	29.00
Spain	17.04	19.00	20.85	17.55	16.19	15.49	15.27	14.36	14.11	14.29	13.68
Sweden	15.00	15.00	13.50	13.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Switzerland	8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	14.50	10.00	9.00	9.00	9.25	12.00	10.50	10.50	10.50	9.50	9.50
Australia	15.75	15.00	12.75	15.00	14.75	14.50	14.00	13.00	13.00	13.00	13.50
Japan	6.95	6.28	5.89	5.74	5.73	5.72	5.72	5.72	5.72	5.72	5.72
New Zealand	13.00	13.00	11.00	11.00	11.00	11.00	12.50	12.50	13.50	14.00	14.00
South Africa	17.00	18.00	20.00	20.50	20.50	22.00	25.00	25.00	25.00	23.50	24.00
Argentina	92.60	109.50	188.58	170.33	170.33	206.83	206.83	280.00	330.00	295.00	390.00
Brazil	152.40	23.81	24.00	26.00	26.00	22.50	23.50	32.00	30.00	30.50	31.00
Chile	61.43	85.19	35.11	33.04	32.30	32.30	30.38	35.58	78.75	95.33	79.56
Hong Kong	16.00	10.50	13.50	13.75	17.00	17.00	14.00	14.00	12.00	11.50	11.00
Indonesia	19.25	22.00	19.75	21.00	20.75	21.25	22.75	31.50	26.00	23.50	23.50
Korea	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	12.00	12.50	11.00	11.00	11.50	11.50	11.50	11.50	12.00	12.00	12.00
Mexico	31.81	46.12	56.44	50.12	50.38	50.89	50.93	50.60	49.34	48.31	47.54
Philippines	18.00	18.00	18.00	24.00	24.00	24.00	n.a.	n.a.	n.a.	n.a.	n.a.
Singapore	11.83	9.33	8.98	9.98	10.08	10.10	10.10	10.33	10.33	9.88	9.40
Taiwan	15.25	10.75	10.25	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Thailand	17.00	16.00	16.00	17.00	17.00	17.00	17.00	17.00	17.00	16.50	16.50
Venezuela	15.50	17.00	16.00	15.00	15.00	15.50	16.00	15.00	15.00	16.00	16.00

Domestic corporate bond yields

long-term issues, at or near end of month

	1981	1982	1983	1984							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	15.50	11.75	12.63	13.58	14.50	13.38	13.20	12.88	12.63	12.37	12.25
Canada	16.18	12.74	12.69	14.59	14.69	13.91	13.39	13.33	12.90	12.62	12.42
France	17.33	15.91	14.06	13.88	13.77	13.77	13.77	13.77	12.84	12.58	12.14
Germany	10.50	8.20	8.30	8.00	8.00	8.00	7.90	7.70	7.60	7.30	7.20
Netherlands	11.03	7.60	8.51	8.35	8.43	8.49	8.42	8.21	7.77	7.61	7.51
Norway	13.36	14.13	13.25	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75
Spain	14.76	17.10	19.84	22.06	21.63	21.47	21.78	n.a.	n.a.	n.a.	n.a.
Sweden	12.94	13.37	12.21	12.23	12.41	12.73	12.78	13.18	13.19	13.21	12.33
Switzerland	n.a.	4.87	4.94	5.10	5.07	5.10	5.16	5.12	5.14	5.18	5.20
United Kingdom	16.55	12.34	11.57	12.11	12.69	13.06	12.15	11.74	11.79	11.45	11.64
Australia	16.50	15.00	13.50	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Japan	7.70	7.55	7.09	7.16	7.13	7.09	7.06	6.98	6.96	6.51	6.21
Korea	26.90	16.00	14.20	13.20	13.70	14.00	14.50	14.60	14.60	14.90	15.00
Venezuela	17.00	18.00	18.00	18.00	18.00	18.00	18.50	18.00	19.00	18.00	18.00

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